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American Commercial Policy and the World Crisis

by

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with the aid of the Research Staff of the Foreign Policy Association

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THE decline of world trade during the past two and a half years, with its violent repercussion upon the prosperity of the United States, has aroused interest in the larger problems involved in America's international commercial policy. Prior to 1929, it had been tacitly assumed in most quarters that the well-being of a nation could best be promoted by adopting the rules of procedure followed by an individual seeking to enhance his personal fortune. It was generally taken for granted that a nation should seek to produce more than it consumes, that it should export more than it imports, that it should constantly add to its foreign investments, and that it should seek to accumulate increasingly large gold reserves. A protective tariff and the drastic restriction of immigration were considered basic corollaries necessary to conserve the fruits of a sound commercial policy.[1] Within the last few months, however, a more critical spirit has been in evidence. The weakness of foreign markets has raised doubts concerning the advisability of too great dependence upon export trade; widespread defaults throughout Latin America and Central Europe have called into question the wisdom of international investments,[2] while customs reprisals throughout the world have brought home the menace and absurdity of tariff walls when adopted as a general protective measure.

Moreover, the difficulties encountered by an increasingly large number of nations in financing ordinary trade activities have indicated a serious weakness in the machinery of international exchange. During the last half of 1931 no less than nineteen countries were forced to abandon the gold standard, and twenty-four countries found it necessary to exercise some form of control over foreign exchange which in many cases involved drastic restriction of imports.[3] Thirty-four countries or colonies since July 1, 1931 have adopted quota schemes, government monopoly of imports, or other import restrictions.[4] While the immediate circumstance leading to the adoption of these protective measures differed in various countries, the fact that most of them were taken to avert financial collapse indicates the seriousness of the problems afflicting world trade at the present time. These restrictions, combined with an almost universal increase in tariffs, have been accompanied by a sharp decline in both the volume and the value of international trade. According to the data now available, it is estimated that the aggregate value of world trade for 1931 was at least 25 per cent below that for 1930, and more than 40 per cent below that for 1929.[5] No country was exempt from the general recession which reduced the value of the world's trade to the level of twenty years ago, although considerable differences were apparent in the effect upon individual countries.

1. Cf. Walter Lippmann, *The United States in World Affairs* (New York, Harpers. 1932), p. 21-26.

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THE BACKGROUND OF AMERICA'S COMMERCIAL POLICY

The origins of America's international commercial policy may be traced back to frontier days, when this country was utilizing European capital for the development of its vast natural resources. For the first hundred years after the signing of the Declaration of Independence, the United States, with a few exceptions, had an unfavorable trade balance. Imports exceeded exports by a considerable amount, but were paid for in part by the income derived from the American merchant marine. The remainder was covered by investments of European capital which were especially heavy during the third quarter of the nineteenth century. From 1876 to the beginning of the World War, the flow of trade was completely reversed. With the exception of 1888, 1889, and 1893, notable excesses of exports over imports occurred, while shipping was carried largely in foreign vessels. The heavy interest payments due to Europe for loans contracted during the first three-quarters of the century were paid for out of this export surplus, and initial steps were taken toward building up American investments abroad. At the outbreak of the World War, however, the United States still had a net indebtedness of approximately three billion dollars.[6]

The war precipitated the transformation of the United States from a debtor into a creditor nation. The suddenness of this change cannot be over-emphasized. Even before this country was drawn into the war, large loans were extended by private banking interests to France and Great Britain, and after the United States joined the Allies, its financial contribution was enormous. Practically all the funds advanced to the Allies were used in the United States for the purchase of war materials and supplies, which resulted in an unprecedented expansion in the export surplus. From July 1, 1914 to the end of 1919 the favorable balance of trade totalled nearly sixteen billion dollars,[7] while the capital obligations of foreigners to Americans, including government debts, is estimated to have increased to nearly eighteen billion dollars.[8] Thus, at the end of the war, the traditional debtor-creditor relationships had been completely reversed, and interest on foreign debts necessitated payments to the United States of more than half a billion dollars annually. The following table shows in detail the flow of goods, gold, services and credits which brought about the complete transformation of America's financial position between July 1, 1914 and December 30, 1919.

TABLE I
Flow of International Payments of the United States[9]
July 1, 1914-December 30, 1919
(In millions of dollars)

	Commodities and Silver	*Services*	*Gold*	*Securities and Claims to Wealth*	*Government Loans and Repayments*	*Items Unaccounted for*	*Interest*	*Total Exports or Imports*
Exports	31,133	1,480	1,154	1,346	533	2,886	1,390	39,922
Imports	15,159	3,811	1,990	5,987	10,957	1,378	640	39,922
Balance	+15,974	−2,331	−836	−4,641	−10,424	+1,508	+750	± 18,232

Exhausted by the war with its wholesale destruction, Europe obviously was not in a position to meet interest payments on its debt either in gold or goods, and consequently continued to borrow. The net capital export from the United States between 1920 and 1930, inclusive, was more than six billion dollars. This amount, however, failed to cover a commodity export surplus averaging nearly one billion dollars a year.[10] In 1920 the export of goods and supplies remained high because of the need for replenishing the depleted stocks of war-stricken Europe. These exports were financed in part by long and short-term loans aggregating more than two billion dollars. In succeeding years, however, the merchandise trade balance became gradually less important, while invisible items increased. Foreign

2. Cf. Max Winkler and M. S. Stewart, "Recent Defaults of Government Loans," *Foreign Policy Reports*, Vol. VII, No. 22, January 6, 1932.

3. A classified list of the countries affected between July 1 and December 1, 1931, giving dates and particulars, may be found in *Wochenbericht des Instituts für Konjunkturforschung* (Supplement 1 to No. 36 of Fourth Year, December 2, 1931), Berlin.

4. Cf. U. S. Department of Commerce, *Trade Information Bulletin No. 790*, "Current Trends in Foreign Tariffs and Commercial Policy: Review of 1931" (Washington, Government Printing Office, 1932).

5. Cf. J. J. Kral, "International Trade in 1930 and 1931," *Commerce Reports*, February 1, 1932; also *The Board of Trade Journal* (London, H. M. Stationery Office), No. 1839, March 3, 1932, p. 294.

6. For details regarding the financial relations of the United States during the nineteenth century, cf. *The International Financial Position of the United States* (New York, National Industrial Conference Board, 1929), p. 17-34.

7. The size of this item was, of course, greatly influenced by the high prices prevailing during the latter part of the war.

8. Adjustments of the war debts reduced this figure to approximately $14,000,000,000. (*The International Financial Position of the United States*, cited, p. 48-9.)

9. *Ibid.*, p. 36.

10. Cf. Table III, Consolidated Balance of International Payments of the United States, 1920-1930, p. 71.

investments rose steadily until 1929, more than covering the growing requirements for service on foreign loans and war-debts. Receipts from these two sources practically doubled during the decade, increasing from $435,000,000 in 1921 to $835,000,000 in 1930. A similar increase occurred in tourist expenditures and in miscellaneous invisible items, but there was a sharp decline in immigrant remittances.

PRESENT CREDITOR POSITION OF THE UNITED STATES

By the end of 1930 American foreign investments had become nearly as large as those of Great Britain.[11] The capital value of foreign obligations to the United States on January 1, 1932, excluding short-term loans, was approximately $24,400,000,000. The investments of foreigners in the United States were estimated at about $4,900,000,000,[12] which made the United States net creditor to the extent of $19,500,000,000.[13] The present value of the intergovernmental debts owed to the United States is nearly one-third of this sum, or approximately $6,400,000,000,[14] while the direct investments of American citizens and corporations in foreign countries, together with foreign securities held in the United States were estimated to be $17,968,206,000 at the end of 1931.[15]

Interest payments alone on these investments, private and public, total over a billion dollars yearly, while the approximate annual return of principal for redemption of securities and sinking fund requirements has been calculated at 2.5 per cent of the total indebtedness of foreigners to private American investors.[16] It is probable that these payments will continue to increase. Assuming that the rate of investment for the next fifteen years will average, as it has during the past decade, a billion dollars a year, the receipts for service on long-term foreign debts during this period have been estimated as follows:

TABLE II

Estimated Contractual Payments by Foreigners to Americans Because of Foreign Investment in Certain Future Years[17]

(In millions of dollars)

Year	*Estimated interest receipts from private investments*	*Estimated return of principal from private investments*	*Total estimated service receipts on private investments*	*Schedule interest receipts of U. S. Treasury from government debtors*	*Schedule principal repayments to U. S. Treasury from government debtors*	*Total scheduled service receipts from government debtors*	*Conjectural total service receipts on all long-term foreign debts*
1935	1,128	513	1,641	208	95	303	1,944
1940	1,403	638	2,041	202	147	349	2,390
1945	1,525	763	2,288	226	138	364	2,652

The sudden emergence of the United States as a leading creditor nation was not accompanied by a corresponding adjustment of its financial and commercial policy. According to many economists, a social and political lag occurred which has been an important factor in the present economic unsettlement throughout the world. With minor exceptions, the pre-war policy which had been determined by this country's century-old position as a debtor nation was continued and intensified. The chief elements of this policy, reaffirmed by Congress on numerous occasions, were as follows:

1. Protection of the home market against foreign competition by high tariffs.
2. Promotion of the export trade by official as well as private agencies, to maintain a "favorable" balance of trade.
3. Development and maintenance of an American merchant marine, by governmental assistance if necessary.
4. Drastic restriction of immigration for the purpose of safeguarding the American standard of living.

11. Exclusive of intergovernmental debts, the United States' investments abroad at the end of 1930 amounted to $17,528,254,000, while the corresponding figure for Great Britain was $18,888,500,000. (Cf. Max Winkler, "America's Stake Abroad," Foreign Policy Association, *Information Service*, Vol. VI, No. 24, Part II, February 4, 1931; and *A Picture of World Economic Conditions at the Beginning of 1931*, New York, National Industrial Conference Board, 1931, p. 12.)

12. The value of foreign investments in the United States was estimated at $3,700,000,000 at the end of 1927. To this has been added $477,000,000, $446,000,000 and $50,000,000 for 1928, 1929 and 1930 respectively, and $200,000,000 for the estimated United States government debt to former alien citizens by various claims. (Cf. *The International Financial Position of the United States*, cited, p. 107-08, and U. S. Department of Commerce, *Trade Information Bulletin No. 761*, "The Balance of International Payments of the United States in 1930," p. 69.)

13. This sum, large though it may seem, is less than 6 per cent of the national wealth of the United States, which was estimated by the National Industrial Conference Board as $329,000,000,000 in 1930.

14. Repayments on the principal totalling $443,000,000 have been deducted from the original capital value of debts discounted at 4¼ per cent. (*Report of the Secretary of the Treasury, 1931*, Washington, Government Printing Office, p. 80.)

15. Cf. Max Winkler, "American Foreign Investments in 1931," *Foreign Policy Reports*, Vol. VII, No. 24, February 3, 1932, p. 428. Other authorities estimate this total at approximately $15,000,000,000. Cf. U. S., Department of Commerce, *Trade Information Bulletin No. 767*, "A New Estimate of American Investments Abroad."

16. The rate of repayment was 2.8 per cent in 1926, 2.5 per cent in 1927, and 2.7 per cent in 1928. Sinking fund and redemption payments in the nine years, 1922-1930, amounted to $2,026,000,000, or an average of $225,000,000 a year. Money stringency in 1929 and the depression in 1930-1931, substantially reduced the amount of redemption payments. Cf. *The International Financial Position of the United States*, cited, p. 245; and U. S. Department of Commerce, *Trade Information Bulletin No. 767*, "A New Estimate of American Investments Abroad," 1931, p. 28.

17. *The International Financial Position of the United States*, cited, p. 245.

The principal weakness of this policy may be seen in its effect on debtor countries which are seeking to maintain payments on their international obligations during the present crisis. When the greater part of the post-war loans were contracted it was generally assumed that a gradually increasing price level would serve to relieve somewhat the burden of indebtedness. In actuality the decline in prices since 1929 has increased the debtor's burden in terms of commodities or services by at least 50 per cent.[18] Yet heavy as these obligations are, few of the debtor nations are so impoverished that they are unable to spare a surplus of their annual production for the payment of interest and sinking fund charges. The difficulties of repayment are due almost entirely to the obstacles which the creditor states have deliberately set up, and which complicate what is ordinarily referred to as the transfer problem. In this connection it is important to draw a sharp line of distinction between the position of the individual foreign debtor and that of the debtor nation. The individual pays his debts by purchasing from his banker a draft or bill of exchange upon a bank in the creditor country for which he pays in his own currency, but he can only do this if his local bank can command the foreign exchange or gold necessary to carry out the transaction.

There are, in all, only four possible methods by which a debtor country can obtain foreign exchange to meet its external obligations: (1) by exporting a greater amount of goods than it imports; (2) by rendering services to citizens of a foreign state; (3) by payments out of its reserves of foreign currency or in gold; (4) by obtaining further loans or credits.

It is obvious, moreover, that the aggregate exports of goods, services, currency, gold, and securities must balance exactly the total imports. This is exemplified in the balance of international payments of the United States from 1920 to 1930, inclusive:

TABLE III

Consolidated Balance of International Payments of the United States, 1920-1930[19]

(In millions of dollars)

	1920	*1921*	*1922*	*1923*	*1924*	*1925*	*1926*	*1927*	*1928*	*1929*	*1930*	*Total*
CREDITS												
Commodity trade balance	2,747	1,824	602	254	899	598	298	564	905	692	846	10,229
Gold	......	......	......	......	......	102	......	154	272	......	......	528
Net capital import	......	......	......	30	......	......	......	......	......	......	......	30
Return on loans	315	389	411	414	443	460	472	519	537	565	594	5,119
War-debt return	......	46	158	259	183	186	195	206	207	207	241	1,888
Cinema royalties	30	39	48	57	66	71	71	71	64	64	44	625
Short-term credits, currency and errors	......	......	534	13	134	......	393	......	......	18	......	1,092
TOTAL CREDITS	3,092	2,298	1,753	1,027	1,725	1,417	1,429	1,514	1,985	1,546	1,725	19,511
DEBITS												
Gold	29	645	234	295	216	......	72	......	......	120	278	1,889
Tourist expenditures	280	300	370	355	440	487	489	548	661	685	640	5,255
Charities .... }	655	355	75	70	55	50	46	49	51	49	49	494
Immigrant remittances .. }			247	218	219	227	210	198	218	223	166	2,936
Net capital export	865	848	753	......	733	560	540	695	718	319	171	6,202
Government loans to foreign governments	189	......	......	......	......	......	......	......	......	......	......	189
Miscellaneous invisible items	61	34	74	89	62	79	72	3	85	150	165	874
Short-term credits, currency and errors	1,013	116	......	......	......	14	......	21	252	......	256	1,672
TOTAL DEBITS	3,092	2,298	1,753	1,027	1,725	1,417	1,429	1,514	1,985	1,546	1,725	19,511

During the past decade it is clear that the foreign exchange which the debtor nations required to meet service charges on their indebtedness and to pay for the export surplus of the United States was obtained chiefly from long-term loans floated on the New York market. Moreover, in eight of the eleven years there has been a net influx of gold despite the fact that at the end of the war the United States already possessed the largest supply of gold in its history.[20] The addition of $1,361,000,000 to the monetary gold stocks of the United States during this period came at a time when gold was urgently required to bolster up the credit of many countries in Europe and Latin America.[21]

18. The price level in the leading commercial countries of the world has fallen practically one-third in the last five years. At the end of 1931 the wholesale price level, as compared with that of 1926, had declined as follows: France 42.8 per cent; the United States 33 per cent; Canada 29.7 per cent; the Netherlands 41.2 per cent; Germany 23.2 per cent; and Great Britain (August) 40 per cent. (Based on Canada, Department of Trade and Commerce, Dominion Bureau of Statistics, "Prices and Price Indexes," Vol. X, No. 1, January 1932.)

19. For details through 1928, cf. *The International Financial Position of the United States*, cited, Appendix A, p. 274-5. For 1922-1930, cf. J. H. Rogers, *America Weighs Her Gold* (New Haven, Yale University Press, 1931), p. 217-8. (Based on a compilation of Ray O. Hall, former Assistant Chief, Finance and Investment Division, Bureau of Foreign and Domestic Commerce.) Cf. also "The Balance of International Payments of the United States in 1930," cited.

20. On December 31, 1918 the stock of monetary gold in the United States was $3,165,266,222, as compared with $1,805,098,-882 on December 31, 1914. Preliminary figures for December 31, 1931 showed a total of $4,461,000,000. (Cf. *Annual Report of the Secretary of the Treasury for the Fiscal Year Ending June 30, 1920*, Washington, Government Printing Office, p. 1032; cf. also *Federal Reserve Bulletin*, January 1932, p. 12.)

21. For details regarding the monetary stocks of various governments from 1925 to 1930, cf. "Selected Documents on the Distribution of Gold" (published by the Gold Delegation of the Financial Committee of the League of Nations, Geneva, 1931), Table I, p. 66; for statistics from the close of 1930 to February 1932, cf. *Federal Reserve Bulletin*, March 1932, p. 167.

It is particularly significant, however, that the world depression in 1930 brought about a decrease in each of the three chief debit items in the balance of international payments—tourist expenditures, immigrant remittances, and long-term foreign investments, while there was an actual increase in the three most important credit items—commodity trade balance, return on loans, and payments on the war debts. Although the rise in the credit balance was covered, more or less automatically, by an increase in gold imports and short-term credits, the position of the debtor nations was appreciably weakened by these developments to the detriment of both debtor and creditor nations. American commercial policy has been concentrated on expanding the credit side of the balance of international payments, on the assumption that the debit items would adjust themselves. Concern for maintaining the stability of the domestic market has led to the adoption of policies which place serious obstacles in the way of repayment of foreign obligations by any of the four methods outlined above. Specific examples of the manner in which traditional American policy, hinders foreign payments follow:

1. A high tariff wall—one of the highest in the world—discourages payment in goods.
2. The stimulation of America's export trade is constantly increasing the total amount of indebtedness and absorbing the foreign exchange and gold available for repayments.
3. The maintenance by government subsidy of an unprofitable merchant marine places an important obstacle in the way of repayment by services.
4. The concentration of gold in the United States and France prevents substantial payments in gold.
5. American insistence on the repayment of war-debts necessitates a flow of credit payments over and above the normal exchange of goods and services.
6. Restriction of immigration has led to a steady shrinkage in immigrant remittances.
7. The sudden and drastic curtailment of foreign investments since 1928 has made it exceedingly difficult for debtors to postpone payments by obtaining new credits.

OBSTACLES TO REPAYMENT OF FOREIGN OBLIGATIONS

INCREASED TARIFFS

Ordinarily, a nation pays its debts by exporting commodities and manufactured goods. A large portion of the obligations owed to the United States represent credits advanced for the purchase of American machinery and equipment which could be expected to pay for themselves out of increased productivity. The creditor nation, for its part, moreover, would normally be expected to make such repayments as easy as possible by placing no barriers in the way of trade with the debtor countries. Great Britain, for example, as the leading creditor nation in the nineteenth century, consistently maintained a free trade policy. On the contrary, the United States, a debtor nation, originally developed a protective tariff to safeguard its infant industries against the competition of the established industries of Europe.[22] Great industries sprang up which conceivably might never have gained root without tariff protection, or developed as rapidly or extensively. Once established, the tendency has been for these industries to seek increased duties, while the vested interests thus created made the reduction of tariffs exceedingly difficult from a political as well as an economic point of view.

Although it is almost impossible to find an accurate basis of comparison, it appears that during the last decade the United States has had the highest tariff rates of any important country in the world, with the exception of Spain and the Soviet Union.[23] The relatively low duties provided in the Underwood Tariff Act of 1913 were increased successively by the Emergency Tariff of 1921 and the Fordney-McCumber Act of 1922. These rates, in turn, were raised by the Hawley-Smoot tariff of 1930 which represented, in part at least, an effort to forestall the effects of the world-wide collapse of prices. Further increases are expected as the result of the inclusion of duties on oil, coal, lumber, and copper in the revenue measure now before Congress.[24]

While maintaining a tariff that is one of the highest in the world, the United States has sought to prevent foreign retaliation by the inclusion of most-favored-nation clauses in commercial treaties concluded with foreign nations. Until 1922 the United States

22. Cf. F. W. Taussig, *The Tariff History of the United States* (New York, Putnam's, 7th ed., 1922), Chap. I-IV.

23. No comparative figures showing the changes which have resulted from the tariff increases of the last few years are available. The most reliable tariff indices are those prepared by the Secretariat of the League of Nations based on the customs rates prevailing in 1925, which are as follows:

Country	*General Index Percentage*	*Index of Manufactured Goods*
Spain	41	41
United States	31	39
Jugoslavia	23	23
Argentina	22	29
Hungary	22	27
Poland	21	32
Czechoslovakia	19	27
Australia	18	27
Italy	16	22
Canada	15	23
Germany	13	20
France	12	21
Austria	12	16
Belgium	9	15
United Kingdom	5	5
Netherlands	4	6

(League of Nations, Economic and Financial Section, International Economic Conference, *Tariff Level Indices*, Geneva, 1927, C.E.I. 37, p. 15.)

24. Cf. *New York Times*, May 5 and 7, 1932.

followed a conditional most-favored-nation policy which permitted reciprocal agreements without granting other nations the advantages gained by bargaining. After the passage of the Tariff Act of 1922, this policy was abandoned for the unconditional most-favored-nation agreement, whereby each party to the treaty guarantees to extend to the other any favor or concession granted to a third state.[25] Since the United States does not extend any tariff concessions at present, the principal powers have been slow to accept American proposals for treaty revision upon the new basis. In the eight years that have passed since the announcement of the new policy, only sixteen states have concluded unconditional most-favored-nation agreements with this country.[26]

While it is impossible to measure the precise effect of tariffs, there can be no question that the almost universal increase in customs duties, together with the various restrictions which have been placed upon imports, are in part responsible for the decline of trade during the last few years. This is indicated by the following analysis of the effect of the increased duties imposed on certain articles by the Hawley-Smoot tariff of June 17, 1930.[27] The fifteen items listed in the accompanying table were selected at random from the articles on which the duty had been increased.[28]

TABLE IV

Imports of Certain Items Affected by Hawley-Smoot Tariff*

	Duty 1930	Duty 1931	Unit of Quantity	Six Months Ending June: 1930† Quantity	1931 Quantity	1930 Value	1931 Value	Percentage of Decline in Value
Hides and Skins	Free	10%	lb.	257,436,894	123,395,417	$ 57,827,390	$ 26,286,395	54.5
Cattle Hides	Free	10%	piece lb.	2,647,826 130,792,905	716,762 34,881,188	17,912,776	3,551,107	80.2
Leather	Free	12½-20%		....	....	18,761,925	4,680,385	75.0
Boots and Shoes	Free	20%	pr.	3,236,149	2,735,810	8,734,583	4,917,318	43.7
Wool (clothing, etc.)	31c.	34c.	lb.	51,961,388	28,182,174	13,396,591	6,116,019	54.4
Woolen Manufactures	various			....	....	19,843,426	8,961,398	54.8
Cotton (long staple)	Free	7c.	lb.	38,443,788	1,226,266	10,698,925	252,317	97.7
Sugar cane, natural	$1.00	$2.50	ton	236,667	....	827,368	....	100.
Cane Sugar (dutiable)	2.2c.	2.5c.	lb.	2,489,001,145	1,947,087,972	42,909,747	25,071,598	41.6
Nuts	various			....	....	11,989,986	9,381,282	21.8
Olives	20c.	30c.	gal.	6,951,483	3,589,524	2,989,160	1,805,089	39.8
Grapefruit	1c.	1½c.	lb.	3,204,209	100,710	90,106	1,912	97.9
Lemons	2c.	2½c.	lb.	62,586,776	10,330,182	1,493,551	234,989	84.3
Fresh Pork	¾c.	2½c.	lb.	842,904	253,696	195,708	58,428	70.2
Cheese	5c.	7c.	lb.	40,581,425	30,242,908	11,077,951	7,143,872	35.6
Flaxseed	40c.	65c.	bu.	10,938,651	6,089,057	23,681,625	6,141,510	74.1
Total Value						$ 224,518,042	$ 101,052,512	55.0
Value of Total Imports, including above items						$1,735,984,750	$1,107,227,997	36.2
Value of Total Imports, excluding above items						$1,511,466,708	$1,006,175,485	33.3

*U. S. Department of Commerce, *Monthly Summary of Foreign Commerce of the United States*, June 1931, Part 1.
†The Hawley-Smoot tariff went into effect June 18, 1930.

The quantity and value of the imports of each of these commodities during the first six months of 1931 under the new tariff was compared with the corresponding imports during the first six months of 1930 under the previous schedule. Although imports were 36.2 per cent lower in value in 1931 than in 1930, it was found that the imports of these fifteen articles had fallen off 55 per cent, or more than half again as much as the total import trade. In thirteen out of the fifteen items cited, the decline was greater than the average, and the decrease was especially noticeable in the items that had previously been on the free list.[29]

EXPANSION OF EXPORT TRADE

The American export trade reached vast proportions during the war and the need for reconstruction in Europe maintained this high level during the following decade. While the per capita value of exports is considerably less in the United States than in a num-

25. Cf. U. S. Tariff Commission, *Dictionary of Tariff Information*, (Washington, Government Printing Office, 1924), p. 489-90.

26. Treaties containing an unconditional most-favored-nation clause have been concluded with Germany, Brazil, Nicaragua, the Dominican Republic, Guatemala, Greece, Finland, Czechoslovakia, Esthonia, Lithuania, Latvia, Rumania, Poland, and Spain, and temporary agreements have been entered into with Haiti and Egypt.

27. The effects of the Hawley-Smoot tariff act have by no means been confined to American imports, for practically every country in the world has followed the example set by the United States and raised import duties. Seventy-six nations or colonies advanced their tariff rates between July 1, 1931 and May 1, 1932, of which thirty-six carried through a general increase in the entire tariff schedule or substantially raised the rates on a large number of items.

28. Cf. Lawrence B. Mann, "Foreign Reactions to the American Tariff Act," Foreign Policy Association, *Information Service*, Vol. VI, No. 15, October 1, 1930, p. 264-65.

29. Cf. Gerhard Hirschfeld, "Some Effects of the Hawley-Smoot Tariff," *Barron's*, April 11, 1932.

ber of other countries,[30] many industries have been established which largely depend on foreign trade. This may be illustrated by the fact that over one-fifth of the locomotives, two-fifths of the typewriters, one-half the motorcycles, and nearly one-quarter of the agricultural machinery manufactured in the United States during 1929 were marketed abroad,[31] although only 8 per cent of American manufactured goods and less than 10 per cent of all products were exported.[32]

During the past thirty years the value of non-agricultural exports, as a whole, increased nearly seven-fold, while the value of exports of agricultural products merely doubled.[34] The proportion of automobiles, motorcycles and agricultural machinery marketed abroad has steadily risen, but there has been a decrease in the dependence of producers of kerosene, cotton and copper on foreign trade. It is significant that the export of manufactured goods—other than foodstuffs—has grown more rapidly than production.

The expansion of the export trade has been an essential element in America's international commercial policy during recent years. The stimulation of exports has been carried on by governmental as well as private agencies, despite the difficulty of arranging payments, and the success of this policy has served to increase the indebtedness of the outside world to the United States. The Department of Commerce has maintained a trade-promotion staff abroad for more than a quarter of a century although this activity was not explicitly sanctioned by Congress until 1927.[35] The Bureau of Foreign and Domestic Commerce has fifty-nine foreign offices in forty-six countries for the purpose of augmenting and facilitating the sale of American merchandise in all regions of the world.[36] In spite of the unfavorable economic situation in 1930-1931, it is reported that American firms received new business and direct savings to the extent of $57,554,813 through the activities of this bureau. The fact that this figure, though smaller than that of the previous year, constituted a greater percentage of the country's total foreign trade than in 1929-1930 is cited as evidence "that in periods unfavorable to domestic trade the bureau plays an increasingly important rôle in the development and maintenance of our foreign trade."[37]

The State Department has also aided in the promotion of foreign trade. In 1930-1931, as a result of the activities of the 300 American consuls abroad, the exports of the United States were increased by $19,361,237.09.[38] These activities, like those of the Commerce Department, have been based upon the general assumption that the prosperity of the United States may best be developed by the encouragement of exports. In support of this view, it has been pointed out that periods of greatest prosperity in this country have frequently been those in which exports have been the largest. It is significant, however, that this has not been invariably true; in agriculture, for example, prosperity has been enjoyed during a period of declining exports.[39]

GOVERNMENT AID TO MERCHANT MARINE

During the years immediately preceding the war, virtually all American overseas trade was carried in foreign vessels, and the charges for this service diminished to a certain extent the credit balance obtained by the surplus of exports over imports.[40] In 1900, ships under American registry carried only 9.3 per cent of this country's foreign trade, and by 1910 the proportion had dropped to 8.7 per cent. After the outbreak of the World War the serious shortage of ships, greatly intensified by the German submarine campaign, led the American government to organize the United States Shipping Board which supervised the building of nearly 3,000 vessels for emergency use.[41] With many of these new ships in use, the proportion of American overseas trade carried by American vessels rose to 42.7 per cent in 1920. By this time, however, more ships had been constructed than could be operated profitably and private business interests

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30. The per capita foreign trade by countries in 1930 was as follows:

Country	*Imports*	*Exports*
Austria	$ 56.6	$ 38.9
Argentina	53.8	44.7
Canada	91.0	80.0
Chile	39.4	37.4
France	49.9	40.9
Germany	38.7	44.8
Norway	101.8	64.3
New Zealand	146.0	150.0
United Kingdom	111.0	70.0
United States	24.5	30.2

Commerce Yearbook, 1931 (Washington, Government Printing Office), Vol. II, p. 728.

31. The figures for agricultural machinery are for 1930.

32. *Commerce Yearbook, 1931,* cited, Vol. I, p. 87, 89, 92.

34. The proportion of agricultural exports fell from 66 per cent of the total export trade in 1900 to 36 per cent in the period 1926-1930; the proportion of non-agricultural exports rose from 34 to 64 per cent during the same period. (*Ibid.,* p. 92.)

35. U. S., Department of Commerce, "Report of the Bureau of Foreign and Domestic Commerce," *Fifteenth Annual Report of the Secretary of Commerce* (Washington, Government Printing Office, 1927), p. 71.

36. U. S., Department of Commerce, *Nineteenth Annual Report of the Secretary of Commerce, 1931* (Washington, Government Printing Office), p. 96.

37. *Ibid.,* p. 86-87.

38. U. S. State Department, *Press Releases,* December 26, 1931.

39. Despite a sharp reduction in agricultural exports between 1900 and 1910, the American farmer enjoyed relatively prosperous conditions. Raw foodstuffs exported from the United States between 1901 and 1910, inclusive, constituted only 76.7 per cent of the 1896-1900 average, but the price of farm products rose more rapidly than the general price level during this period. (*Commerce Yearbook, 1931,* cited, p. 94 and 196.)

40. *Congressional Digest,* June-July 1928, p. 190; cf. also *Congressional Record,* Vol. 69, Part 2, p. 2020.

41. Less than 2,000 of these ships were suitable for overseas trade and very few of them were of the most modern type. (*Congressional Digest,* June-July 1928, p. 185; for details, cf. *Congressional Record,* Vol. 69, Part 2, p. 2067.)

were loath to purchase the vessels built by the Shipping Board despite the low prices at which they were offered. In the belief that American shipping should be stimulated,[42] the government until 1928[43] continued to operate the majority of these vessels, at a cost to the taxpayer estimated to have been between 35 and 50 million dollars a year.[44] From 1916 to the end of June 1931, net expenditures by the United States Treasury for the Shipping Board totalled $3,685,376,760.[45]

After a prolonged controversy over the respective merits of public and private operation, Congress passed the Merchant Marine Act of 1928 which provided for an indirect but liberal subsidy to private operators of American ships. This subsidy took two forms: first, a $250,000,000 loan fund was established to furnish assistance for the construction of new vessels to be privately operated under the American flag. Loans were authorized for a period of twenty years at 5½ per cent interest for vessels engaged in coastwise trade, or the lowest rate of interest of any government obligation for vessels engaged in overseas trade. Second, the Postmaster-General was authorized to extend mail contracts, valued at approximately $14,000,000 a year, to *bona fide* American ships at a differential rate which encouraged the construction of larger and faster ships.[46] Partly as a result of the inducements offered by this act, the United States was second only to the United Kingdom in shipbuilding during 1930, although it had ranked seventh among the nations of the world in 1928 and fifth in 1929.[47] In addition, the Merchant Marine Act of 1928 made the receipt of mail contracts conditional upon the stipulation that

> ". . . from and after May 22, 1928 all licensed officers of vessels documented under the laws of the United States. . . shall be citizens of the United States; from and after May 22, 1928, and for a period of four years, upon each departure from the United States of a vessel employed in the ocean mail service . . . one half of the crew (including all the employees of the ship other than officers) shall be citizens of the United States and, thereafter, two-thirds of the crew shall be citizens of the United States."[48]

RESTRICTIONS ON TRADE WITH UNITED STATES POSSESSIONS

The desire to develop and maintain an American merchant marine also prompted Congress to extend the coastwise shipping laws to the insular territories and possessions of the United States. In an effort to protect American ships against British competition, a law was enacted in 1817 closing American coastwise trade to all except American ships. This law still stands on the statute books and was extended by the Merchant Marine Act of 1920 to include Hawaii, Porto Rico, and the Virgin Islands.[49] The operation of this law, in addition to the tariff wall which has been erected in all of the dependencies against goods of other than American origin, has almost completely excluded foreigners from trade with United States possessions. As a result of this policy, 94 per cent of the external trade of Hawaii, 92 per cent of that of Porto Rico and 72 per cent of that of the Philippines is with the continental United States.[50]

MALDISTRIBUTION OF GOLD

The curtailment of foreign lending since 1929[51] has forced debtor countries to ship gold in payment of their obligations. This gold has passed, for the most part, into the vaults of the two leading creditor countries—the United States and France. In view of the fact that there is serious doubt whether the amount of monetary gold available in the world today is adequate for the normal demands of business and commerce,[52] it is only

42. Section 1 of the Merchant Marine Act of 1920, contains the following declaration of policy:
"It is necessary for the National defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable type sufficient to carry the greater amount of its commerce, . . . ultimately to be owned and operated privately by the citizens of the United States; and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine." (*The Code of the Law of the United States of America*, United States Statutes at-large, Washington, Government Printing Office, Vol. 44, Part 1, p. 537, sec. 861.)

43. In 1926 the United States government operated 293 vessels, at a loss of 15 million dollars. In the same year there were 170 ships of American registry privately operated. (Cf. *Congressional Digest*, January 1926, p. 15.)

44. This includes the cost of the United States Shipping Board and the Emergency Fleet Corporation which operated the ships for the American government. (*World's Work*, June 1925, p. 132-33; cf. also *Congressional Digest*, January 1926, p. 16.)

45. Cf. *Annual Report of the Secretary of the Treasury, 1930*, p. 490-2; *ibid., 1931*, p. 448.

46. The contracts for vessels specified the following conditions: class one, 20,000 tons or over, capable of a speed of 24 knots in ordinary weather, to receive a payment of $12 per nautical mile; class two, not less than 16,000 tons, with a speed of 20 knots, to receive $10 per mile; payments for smaller vessels scale down to class seven—$1.50 a ton for vessels of 2,500 tons capable of ten knots an hour. Compensation to class one vessels in excess of 24 knots is authorized in an amount "which bears the same ratio to $12 as the speed that such a vessel is capable of maintaining bears to 24 knots." (*The Code of the Law of the United States of America, Supplement V*, Sec. 891, l and m.)

47. Including the Great Lakes. *Lloyd's Registry*, Vol. II, p. 1210-11. In the first quarter of 1932 the United States was second in gross tonnage of vessels under construction. (*Commerce Reports*, April 25, 1932, p. 227-28.)

48. *The Code of the Law of the United States of America, Supplement V*, cited, Sec. 891 i (c).

49. Because of insufficient shipping facilities and the opposition of the residents of the islands, the application of the coastwise shipping laws to the Virgin Islands has been repeatedly postponed by Presidential order. (Cf. *New York Times*, January 4, 1932.)
Under the Merchant Marine Act of 1920 provision was also made for the extension of the coastwise shipping regulation to the Philippines, subject to the discretion of the President of the United States. Despite the recommendation of the Shipping Board in 1922, the President declined to act. (Cf. "Extension of the Coastwise Shipping Laws of the United States to the Philippine Islands," *Senate Hearings*, 71st Congress, 1st Session, October 1929.)

50. In 1930, 89.59 per cent of Hawaii's import trade and 98.02 per cent of its export trade were with the United States. The corresponding figures for Porto Rico were 87.8 per cent and 96.1 per cent, and for the Philippines 63.5 per cent and 79.1 per cent. (*Commerce Yearbook, 1931*, cited, Chapter XXI.)

51. Cf. Winkler and Stewart, "Recent Defaults of Government Loans," cited, p. 396-7.

52. For full discussion, cf. *Interim Report of the Gold Delegation of the Financial Committee of the League of Nations* (Geneva, League of Nations, 1930), Annex XIII.

natural that the accumulation of nearly 62 per cent of the world's supply in these two countries should cause a severe strain upon the financial structure of other nations. The so-called "transfer problem" is in part a symptom of an almost universal shortage of monetary metal which might be used in effecting payments. The absence of such important commercial nations as Germany, Italy and Japan from the list of the seven countries which together hold more than four-fifths of the world's gold is indicative of the seriousness of the situation. The following table shows the extent of the unequal distribution of the existing supply of monetary gold:

TABLE V

Distribution of World's Monetary Gold[53]

(January 1, 1932)

Country	*Amount (in millions)*	*Percentage*	*Per Capita*
United States	$4,461*	38.5	$36.56
France	2,699	23.3	66.31
Great Britain	588	5.1	13.12
Switzerland	453	3.9	113.00
Spain	434	3.7	19.00
Netherlands	357	3.1	45.20
Belgium	354	3.0	44.25
U.S.S.R.	328	2.8	2.00
Italy	296	2.6	7.05
Japan	271	2.4	4.20
Argentina	265	2.3	24.30
Germany	234	2.0	3.75
India	162	1.4	.46
Rest of the world	715	6.1	.68
	$11,617	100.0	$5.50

*Recent heavy exports reduced gold stocks in the United States to $4,345,000,000 on May 4, 1932.

Some authorities maintain that the present maldistribution of monetary metal is the result of the deliberate policy of the Federal Reserve Board and the Bank of France in sterilizing a large portion of their gold holdings from 1928 to the present time, instead of using the gold as a basis for additional currency and credit. Although the influx of gold into a country normally leads to expansion of credit, increased prices and consequent shifting of the balance of trade which reverses the flow of gold, the central banks of the United States and France have prevented credit inflation and thereby caused an unduly large share of the world's gold to lie idle in their vaults.[54] In answer to this charge, it should be pointed out that further credit inflation was scrupulously avoided in 1928-1929, to protect the United States from the boom which ordinarily accompanies a large expansion of credit. The practical alternatives before the Federal Reserve Board in the face of a heavy influx of gold were: encouragement of foreign lending; inflation of currency and credit; sterilization of all or part of the gold. Obviously any of the three procedures might have undesirable effects, and the Board doubtless adopted the course which was believed to be the least harmful. Moreover, it is probable that the flow of gold to France and the United States is merely the symptom of a more deep-seated maladjustment of economic forces.

COLLECTION OF WAR DEBTS

According to the debt-funding agreements concluded by the United States with each of its former Allies, the $10,338,058,352 borrowed from this country during and immediately after the war by some twenty foreign governments is to be repaid in instalments over a period of sixty-two years. Interest charges at varying rates bring the total amount of the debt payments due to more than $22,000,000,000.[55] While the various agreements were concluded on somewhat different terms, the annual payments of the foreign governments increase, according to schedule, from $210,500,000 in 1929 to a maximum of $415,400,000 in 1983.

While many economists feel that the permanent flow of reparation and war-debt payments from Germany through the Allies to the United States has served seriously to disturb world economic equilibrium and to have been one of the chief factors in present world depression,[56] the United States government has consistently opposed reduction or cancellation. In ratifying the one-year moratorium of inter-governmental debts on December 22, 1931, Congress included the following statement of policy:

> "Section 5. It is hereby expressly declared to be against the policy of Congress that any of the indebtedness of foreign countries to the United States should be in any way cancelled or reduced, and nothing in this joint resolution shall be construed as indicating a contrary policy, or as implying that favorable consideration will be given at any time to a change in the policy hereby declared."[57]

Whatever views one may hold regarding the political and moral aspects of the war-debt question, it is essential to note that payments on the inter-Allied debts constitute a substantial portion of the annual incoming payments of the United States, and unless further loans are extended, an adjustment in American commercial policy is necessary in order to allow payment in goods and services.

53. *Federal Reserve Bulletin,* cited, January 1932, p. 12 and 52.

54. Cf. G. D. H. Cole, *British Trade and Industry* (London, Macmillan, 1932), p. 250-51; also *Committee on Finance and Industry Report, Macmillan Committee* (London, H. M. Stationery Office, 1931), Cmd. 3897, p. 69, 83-4. It should be noted that the Glass-Steagal Bill permits greater credit inflation than was hitherto possible.

55. For details, cf. Lewis Webster Jones, "The United States and the War Debts," Foreign Policy Association, *Information Service,* Vol. III, Supp. No. 1, April-May 1927.

56. Cf. Sir Henry Strakosch, "Crisis," Supplement to *The Economist* (London), January 9, 1932.

57. House Joint Resolution 147, *Congressional Record,* Vol. 75, No. 10, December 18, 1931, p. 807.

DECLINE OF TOURIST TRADE AND IMMIGRANT REMITTANCES

The position of the foreign debtor has been rendered more difficult, moreover, by the enormous decline in American tourist trade during the last two years and the more gradual decrease in remittances from immigrants living in the United States. Next to imports, the largest single item on the debit side of America's balance of international payments in recent years has been the amount spent by American tourists abroad. This one item alone was $868,248,000[58] at its peak in 1929, which was more than four times as great as the war debt payments to the United States. Net expenditures, after deducting the expenses incurred by foreign visitors to the United States, rose from $280,000,000 in 1920 to $685,000,000 in 1929. Tourist traffic continued to increase in 1930, but net expenditures dropped to $640,000,000. While the figures for 1931 are not yet available, it is known that a serious decline in foreign travel occurred.[59]

A much more drastic decline has taken place in the flow of remittances from immigrants to relatives and friends in their native lands. A decade ago this item constituted one of the most important charges against the United States on the international balance sheet, but with the tightening of restrictions against immigration, the volume of immigrant remittances has constantly dwindled and will probably continue to do so indefinitely.[60]

CURTAILMENT OF FOREIGN INVESTMENTS

From 1924 to 1929 debtor nations had no difficulty meeting external interest and sinking fund payments by further borrowing. At the time there seemed to be no limit to the amount of foreign loans which this country would be willing to extend. The inflation of credit necessary to finance stock-market operations in 1929, however, not only reduced the amount of American foreign investments but also attracted large amounts of foreign capital to New York.[61] As the effect of the world depression became more evident, foreign investments declined even more seriously and in 1931 were considerably less than the amount required for service charges on the existing indebtedness.[62] Moreover, widespread defaults on Latin American loans, the collapse of the Kreuger and Toll interests, and the decline of all foreign securities have produced a reaction against foreign investment in this country which makes unlikely any resumption of lending in the near future.[63] This stringency of credit on the international capital market not only makes difficult payments of interest and sinking fund obligations on existing indebtedness, but intensifies the demand for gold, further depresses prices, stifles enterprise and thereby adds to the burden of the debtor nations.[64]

PROPOSED CHANGES IN POLICY

It will be seen from the foregoing pages that the United States, transformed as a result of the World War from a debtor into a creditor nation, has maintained its favorable balance of trade during the past decade by means of extensive foreign loans, and has thereby increased its creditor position without undertaking any important adjustment of its trade policy. The current world economic depression, however, with its deflationary effect on prices and the virtual cessation of foreign lending, has forced a day of reckoning. If the foreign loans now outstanding are to be collected, some channel of payment must be made available to the debtor nations.

The analysis presented in this report makes it reasonably clear that a fundamental readjustment of the international commercial policy of the United States is necessary unless foreign lending is resumed and increased. It is possible to relieve the disequilibrium that has been created either by diminishing the pressure upon the credit side of the balance of international payments or by making provision for an increase in the amount of the debit items. Both lines of procedure have been suggested by leading economists. As a means of reducing the pressure upon the debtor countries, particu-

58. "The Balance of International Payments of the United States in 1930," cited, p. 32-33.

59. For example, the number of west-bound passengers on the trans-Atlantic steamship lines during the first eleven months of 1931 was only 300,000, as compared with 540,000 during the same period in 1930, and as the decrease affected all classes of travel, it is reasonable to assume at least a proportional drop in tourist expenditures. *New York Times*, December 21, 1931, p. 24.

60. Cf. Rogers, *America Weighs Her Gold*, cited, p. 37-39.

61. Net American foreign investments in 1929 were only $1,465,958,000, as compared with $2,096,042,000 in 1928. (Winkler, "American Foreign Investments in 1931," cited, p. 428.) On December 31, 1929 foreign short-term investments in the United States totalled $3,087,281,000, an increase of $191,000,000 over the previous year. There is evidence, however, that, heavy European withdrawals occurred in the last quarter of 1929. (Cf. "The Balance of International Payments of the United States in 1929," Washington, Government Printing Office, 1930, p. 56-60.)

62. American foreign investments for 1931 were only $507,000,000, as compared with an average of over two billion dollars from 1925 to 1928 inclusive. (Winkler, "American Foreign Investments in 1931," cited, p. 428.)

63. The investigation of the Senate Finance Committee (cf. "Sale of Foreign Bonds or Securities in the United States" Hearings before the Committee on Finance, U. S. Senate, 72nd Congress, 1st Session, Part I and II) into the sale of foreign bonds and securities has led to the introduction of several bills by Senator Johnson for the control and checking of foreign investments. The most important of these would provide for the creation of a Foreign Loan Board whose approval would be necessary before the sale of foreign securities could be authorized. Another bill would prohibit loans to any foreign government in default of its obligations to the United States.

64. Cf. "The Course and Phase of the World Economic Depression" (Geneva, Secretariat of the League of Nations, 1931), p. 200-15.

larly Germany, many authorities have advocated the cancellation or reduction of war debts.[65] While the payments on the inter-Allied debt to the United States constituted less than 5 per cent of the incoming international payments in 1930,[66] the schedule provided in the debt-funding agreements calls for increasingly large payments during the next fifty years which threatens to be a source of perpetual difficulty. A few economists carry this suggestion much further by advocating the complete withdrawal of the United States from the international investment field, on the assumption that neither public nor private debts can possibly be repaid.[67] Under this plan international trade would be restricted to the barter of essential commodities.

In direct contradiction to this latter view, there are others who assert that the solution of the problem lies in the redistribution of gold through the expansion and stabilization of foreign lending.[68] They point out that Great Britain maintained its pre-eminent financial position for over a century by reinvesting its surplus in new overseas loans, and thereby prevented the emergence of the transfer problem.[69] Many other authorities take the view that a creditor country like the United States must adjust itself to a permanent surplus of imports over exports.[70] They point out that during the last few years this country has occupied the highly paradoxical position of being a great creditor nation and at the same time exporting more than it imported[71]—a position that is probably without historical precedent. Proponents of this view condemn tariffs, government assistance to the merchant marine and the strenuous efforts to expand American export trade as detrimental to the best interests of this country as well as to those of debtor nations. They contend that prosperity awaits the restoration of economic equilibrium by the removal of all artificial barriers to trade, both national and international. Still another group declares that the only satisfactory solution for the problems confronting the world at the present time rests in the establishment of effective international cooperation.[72] This course would imply a definite abandonment of the thesis that American prosperity is "self-contained," and that "recovery" can be "self-centered."

Opinion differs, however, on the degree of international action that is desirable. The report of the Macmillan Committee in Great Britain advocated cooperation of the central banks of the world for raising and stabilizing the international price level at approximately the 1928 level by international management of currency,[73] and expansion of foreign lending by leading creditor countries. Other suggestions vary from an international agreement for the reduction of tariffs to thoroughgoing proposals for the establishment of a Permanent International Economic Congress with broad powers.[74]

CONCLUSION

A close examination of American commercial policy and the various proposals which have been advanced for meeting the problems created by the contradictions inherent in that policy reveals two fundamentally different views regarding the methods for maintaining American prosperity. There is, in the first place, the view which has been predominantly held up to the present time, that the relatively high standard of living hitherto enjoyed in the United States can best be maintained by measures which insulate American economy as much as possible from foreign competition and yet, at the same time, enable American producers to undersell all competitors in foreign markets. This policy, based on the tenets of nationalism, has gained favor not only in the United States but in virtually all countries of the world.[75] On the other hand, there is a growing body of economists who take a diametrically opposite opinion in declaring that such a policy is suicidal in an interdependent world such as we now live in, and who stress the necessity of some effective form of international cooperation in the economic sphere. It is doubtful whether these two views can be reconciled; either one or the other must gain ascendancy before American policy can be basically adjusted to present-day conditions.

65. Cf. "Report of the Young Plan Advisory Committee," *Federal Reserve Bulletin*, January, 1932; also Albert H. Wiggin, *Report of the Chairman of the Governing Board of the Chase National Bank*, January 13, 1931.

66. Payments of principal and interest on the war debts totalled $241,000,000 in 1930, out of credit items aggregating $5,469,000,000. ("The Balance of International Payments of the United States in 1930," cited, p. 69.)

67. Cf. Lawrence Dennis, *Is Capitalism Doomed?* (New York, Harpers, 1932), p. 242-303.

68. Cf. Lewis L. Lorwin, *The Problem of Economic Planning*, World Social and Economic Congress, 1931, Sect. II, 3; also suggestion of Robert Harriss, *New York Times*, September 20, 1931; and *Committee on Finance and Industry Report*, cited, p. 135 sec. 315.

69. R. McKenna, "The Gold Standard and Monetary Management," *Monthly Review* (Midland Bank, London), January-February 1932, p. 2.

70. Cf. League of Nations, Economic Committee, *Report to the Council on the Work of the Thirty-Seventh Session*, C.74.M.39.-1932.IIB., Geneva, January 20, 1932, p. 2.

71. Cf. Cole, *British Trade and Industry*, cited, p. 248; cf. also Sir Arthur Salter, *Recovery* (New York, Century, 1932), p. 138-9, 222.

72. Cf. Paul P. Gourrich, "World Economic Council Asked to Solve Problems," *New York Herald Tribune*, February 21, 1932; also *Committee on Finance and Industry Report*, cited, 129-137.

73. *Ibid.*, p. 114-117.

74. *Four Year Presidential Plan* (New York, League for Independent Political Action, 1932), part VII.

75. Cf. *Report of the Economic Committee of the League of Nations on the Work of the Thirty-seventh Session*, cited, p. 2.